

U.S. Helped Pakistan Get IMF Bailout with Secret Arms Deal for Ukraine, Leaked Documents Reveal

The U.S.-brokered loan let Pakistan's military postpone elections, deepen a brutal crackdown, and jail former Prime Minister Imran Khan.

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Secret Pakistan arms sales to the U.S. helped to facilitate a controversial bailout from the International Monetary Fund earlier this year, according to two sources with knowledge of the arrangement, with confirmation from internal Pakistani and American government documents. The arms sales were made for the purpose of supplying the Ukrainian military — marking Pakistani involvement in a conflict it had faced U.S. pressure to take sides on.

The revelation is a window into the kind of behind-the-scenes maneuvering between financial and political elites that rarely is exposed to the public, even as the public pays the price. Harsh structural policy reforms demanded by the IMF as terms for its recent bailout kicked off an ongoing round of protests in the country. Major strikes have [taken place](#) throughout Pakistan in recent weeks in response to the measures.

The protests are the latest chapter in a year-and-a-half-long political crisis roiling the country. In April 2022, the Pakistani military, with the encouragement of the U.S., helped organize a no-confidence vote to remove Prime Minister Imran Khan. Ahead of the ouster, State Department diplomats privately expressed anger to their Pakistani counterparts over what they called Pakistan's "aggressively neutral" stance on the Ukraine war under Khan. They [warned of dire consequences if Khan remained](#) in power and promised "all would be forgiven" if he were removed.

Since Khan's ouster, Pakistan has emerged as a useful supporter of the U.S. and its allies in the war, assistance that has now been repaid with an IMF loan. The emergency loan allowed the new Pakistani government to [put off a looming economic catastrophe](#) and indefinitely postpone elections — time it used to launch a nationwide [crackdown](#) on [civil society](#) and [jail Khan](#).

“Pakistani democracy may ultimately be a casualty of Ukraine’s counteroffensive,” Arif Rafiq, a nonresident scholar at the Middle East Institute and specialist on Pakistan, told The Intercept.

Pakistan is known as a production hub for the types of basic munitions needed for grinding warfare. As Ukraine grappled with [chronic shortages](#) of munitions and hardware, the presence of Pakistani-produced shells and other ordnances by the Ukrainian military has surfaced in open-source news reports about the conflict, though neither the U.S. nor Pakistan has acknowledged the arrangement.

Records detailing the arms transactions were leaked to The Intercept earlier this year by a source within the Pakistani military. The documents describe munitions sales agreed to between the U.S. and Pakistan from the summer of 2022 to the spring of 2023. Some of the documents were authenticated by matching the signature of an American brigadier general with his signature on publicly available mortgage records in the United States; by matching the Pakistani documents with corresponding American documents; and by reviewing publicly available but previously unreported Pakistani [disclosures](#) of arms sales to the U.S. posted by the State Bank of Pakistan.

The weapons deals were brokered, according to the documents, by Global Military Products, a subsidiary of Global Ordnance, a controversial arms dealer whose entanglements with less-than-reputable figures in Ukraine were the subject of a [recent New York Times article](#).



Global Military Products, Inc. (GMP) (Source: [Global Ordnance](#))

Documents outlining the money trail and talks with U.S. officials include American and Pakistani contracts, licensing, and requisition documents related to U.S.-brokered deals to buy Pakistani military weapons for Ukraine.

The economic capital and political goodwill from the arms sales played a key role in helping secure the bailout from the IMF, with the State Department agreeing to take the IMF into confidence regarding the undisclosed weapons deal, according to sources with knowledge of the arrangement, and confirmed by a related document.

To win the loan, Pakistan had been told by the IMF it had to meet certain financing and refinancing targets related to its debt and foreign investment — targets that the country was struggling to meet. The weapons sales came to the rescue, with the funds garnered from the sale of munitions for Ukraine going a long way to cover the gap.

Securing the loan eased economic pressure, enabling the military government to delay elections — a potential reckoning in the long aftermath of Khan’s removal — and deepen the crackdown against Khan’s supporters and other dissenters. The U.S. remained largely silent about the extraordinary scale of the human rights violations that pushed the future of Pakistan’s embattled democracy into doubt.

“The premise is that we have to save Ukraine, we have to save this frontier of democracy on the eastern perimeter of Europe,” said Rafiq. “And then this brown Asian country has to pay the price. So they can be a dictatorship, their people can be denied the freedoms that every other celebrity in this country is saying we need to support Ukraine for — the ability to choose our leaders, ability to have civic freedoms, the rule of law, all these sorts of things that may differentiate many European countries and consolidated democracies from Russia.”

Bombs for Bailouts

On May 23, 2023, according to The Intercept’s investigation, Pakistani Ambassador to the U.S. Masood Khan sat down with Assistant Secretary of State Donald Lu at the State Department in Washington, D.C., for a meeting about how Pakistani arms sales to Ukraine could shore up its financial position in the eyes of the IMF. The goal of the sit-down, held on a Tuesday, was to hash out details of the arrangement ahead of an upcoming meeting in Islamabad the following Friday between U.S. Ambassador to Pakistan Donald Blome and then-Finance Minister Ishaq Dar.

Lu told Khan at the May 23 meeting that the U.S. had cleared payment for the Pakistani munitions production and would tell the IMF confidentially about the program. Lu acknowledged the Pakistanis believed the arms contributions to be worth \$900 million, which would help to cover a remaining gap in the financing required by the IMF, pegged at roughly \$2 billion. What precise figure the U.S. would relay to the IMF remained to be negotiated, he told Khan.

At the meeting on Friday, Dar brought up the IMF question with Blome, according to a [report in Pakistan Today](#), which said that “the meeting highlighted the significance of addressing the stalled IMF deal and finding effective solutions to Pakistan’s economic challenges.”

After publication of this story, the Pakistani Ministry of Foreign Affairs released a [statement](#) saying the article is “baseless and fabricated.” The spokesperson said the bailout “was successfully negotiated between Pakistan and the IMF to implement difficult but essential economic reforms. Giving any other colour to these negotiations is disingenuous.” The spokesperson added,

“Pakistan maintains a policy of strict neutrality in the dispute between Ukraine and Russia and in that context, does not provide any arms and ammunition to them. Pakistan’s defense exports are always accompanied with strict end user requirements.”

A spokesperson for the State Department denied the U.S. played any role in helping procure the loan.

“Negotiations over the IMF review were a matter for discussion between Pakistan and IMF officials,” the spokesperson said. “The United States was not party to those discussions, though we continue to encourage Pakistan to engage constructively with

the IMF on its reform program.”

An IMF spokesperson denied the institution was pressured but did not comment on whether it was taken into confidence about the weapons program.

“We categorically deny the allegation that there was any external pressure on the IMF in one way or another while discussing support to Pakistan,” said IMF spokesperson Randa Elnagar. (Global Ordnance, the firm involved in the arms deal, did not respond to a request for comment.)

The State Department’s denial was contradicted by Maryland Democratic Sen. Chris Van Hollen, a leading voice in Washington on foreign affairs. Earlier this month, Van Hollen [told](#) a group of Pakistani journalists, “The United States has been very instrumental in making sure that the IMF came forward with its emergency economic relief.” Van Hollen, whose parents were both stationed in Pakistan as State Department officials, was born in Karachi and is known to be the closest observer of Pakistan in Congress.

In an interview with The Intercept at the Capitol on Tuesday, Van Hollen said that his knowledge of the U.S. role in facilitating the IMF loan came directly from the Biden administration.

“My understanding, based on conversations with folks in the administration, has been that we supported the IMF loan package given the desperate economic situation in Pakistan,” he said.

Eleventh-Hour IMF Deal

The diplomatic discussion about the loan came a month before a June 30 deadline for the IMF’s review of a planned billion-dollar payment, part of a \$6 billion agreement made in 2019. A failed review would mean no cash infusion, but, in the months and weeks ahead of the deadline, Pakistani officials publicly denied that they faced serious challenges in financing the new loan.

In early 2023, Dar, the finance minister, said that external financing assurance — in other words, financial commitments from places like China, the Gulf states, or the U.S. — were not a condition the IMF was insisting Pakistan meet. In March 2023, however, the IMF representative in charge of dealing with Pakistan publicly contradicted Dar’s rosy assessment. IMF’s Esther Perez Ruiz said in an [email to Reuters](#) that all borrowers need to be able to demonstrate that they can finance repayments.

“Pakistan is no exception,” Perez said.

The IMF statement sent Pakistani officials scrambling for a solution. The required financing, according to public reporting and confirmed by sources with knowledge of the arrangement, was set at \$6 billion. To reach that goal, the Pakistani government claimed it had secured roughly \$4 billion in commitments from Gulf countries. The secret arms deal for Ukraine would allow Pakistan to add nearly another billion dollars to its balance sheet — if the U.S. would let the IMF in on the secret.

“It was at an impasse because of the remaining \$2 billion,” said Rafiq, the Middle East Institute scholar. “So if that figure is accurate, the \$900 million, that’s almost half of that. That’s pretty substantial in terms of that gap that had to be bridged.”

On June 29, a day before the original program was set to expire, the IMF made a surprise announcement that instead of extending the previous series of loans and releasing the next \$1.1 billion installment, the [bank would instead be entering](#) an agreement — “called a Stand-By Arrangement” — with fewer strings attached, more favorable terms, and valued at \$3 billion.

The agreement included the conditions that the currency would be allowed to float freely and energy subsidies would be withdrawn. The deal was finalized in July after Parliament approved the conditions, including a nearly 50 percent increase in the cost of energy.

Uzair Younus, director of the Pakistan Initiative at the Atlantic Council’s South Asia Center, said that the IMF deal was critical to Pakistan’s short-term economic survival.

“Had that not happened, there would have been a full-blown economic meltdown in the country,” Younus said. “So it was a make-or-break moment.”

The question of how Pakistan overcame its financing obstacles, has remained a mystery even to those following the situation professionally. The IMF issues public accounting of its reviews, Rafiq noted, but doing so if the financing relates to secret military projects presents an unusual challenge.

“Pakistan is very strange, in many ways,” he said, “but I don’t know how a secret, covert, clandestine military program would figure into their calculations, because everything’s supposed to be open and by the books and all that.”

Imran Khan, Ukraine, and Pakistan’s Future

At the start of the Ukraine war, Pakistan was in a markedly different geopolitical and economic position. When the conflict began, Khan, at the time the prime minister, was in the air on the way to Moscow for a long-planned bilateral meeting with Russian President Vladimir Putin. The visit outraged American officials.

As The Intercept [previously reported](#), Lu, the senior State Department official, said in a meeting with then-Pakistani Ambassador Asad Majeed Khan two weeks after the invasion that it was the belief of the U.S. that Pakistan had taken a neutral position solely at Khan’s direction, adding that “all would be forgiven” if Khan was removed in the no-confidence vote. Since his ouster, Pakistan has firmly taken the side of the U.S. and Ukraine in the war.



Imran Khan addresses a rally in Pakistan in October 2022 (Source: Multipolarista)

The U.S., meanwhile, continues to deny that it put its thumbs on the scale of Pakistani democracy — for Ukraine or any other reason. At an off-the-record, virtual town hall with members of the Pakistani diaspora at the end of August, Lu’s deputy, Elizabeth Horst, responded to questions about The Intercept’s reporting on Lu’s meeting with the Pakistani ambassador.

“I want to take a moment to address disinformation about the United States’s role in Pakistani politics,” Horst said at the top of the call, audio of which was provided to The Intercept by an attendee. “We do not let propaganda, misinformation, and disinformation get in the way of any bilateral relationship, including our valued relationship with Pakistan. The United States does not have a position on one political candidate or one party versus another. Any claims to the contrary, including reports on the alleged cypher are false, and senior Pakistani officials themselves have acknowledged this isn’t true.”

Senior Pakistani officials, including former Pakistan Prime Minister Shehbaz Sharif, have [confirmed](#) the authenticity of the cable, known internally as a cypher, published by The Intercept.

Van Hollen, in his press briefing with Pakistani journalists, took the same line as the State Department, saying that he had been assured by the administration that the U.S. did not interfere in Pakistani politics. In his interview with The Intercept, he clarified that he meant the U.S. did not engineer Khan’s ouster.

“I’m not disputing the accuracy of the cable,” Van Hollen said. “Look, I have no idea where the administration is on what their view is on the final result, but I do not read that [cable] to mean that the United States engineered his removal.”

After orchestrating Khan’s removal, the military embarked on a campaign to eradicate his political party through a wave of killings and mass detentions. Khan himself is currently

imprisoned on [charges of mishandling a classified document](#) and facing some 150 additional charges — allegations widely viewed as a pretext to stop him from contesting future elections.

Horst, at the town hall, was also pressed as to why the U.S. has been so muted in response to the crackdown. She argued the U.S. had, in fact, spoken up on behalf of democracy.

“Look, I know many of you feel strongly and are very concerned about the situation in Pakistan. I’ve heard from you. Trust me when I say I see you, I hear from you. And I want to be responsive,” she said. “We do continue to speak up publicly and privately for Pakistan’s democracy.”

While Pakistan reels from the impact of IMF-directed austerity policies and the political dysfunction that followed Khan’s removal, its new military leaders have made lofty promises that foreign economic support will rescue the country. According to reports in the Pakistani publication Dawn, Army Chief Gen. Asim Munir [recently told](#) a gathering of Pakistani businessmen that the country could expect as much as \$100 billion in new investment from Saudi Arabia and other Gulf states, hinting that there would be no more appeals to the IMF.

There is little evidence, however, that the Gulf nations are willing to come to Pakistan’s rescue. Saudi Crown Prince Mohammed bin Salman, or MBS, recently announced major investments and economic partnerships [with India](#) during a visit there for the G20 summit. Despite reports in the Pakistani press [expressing hope](#) that MBS would pay Pakistan a visit, none materialized, let alone any major new investment announcements.

The absence of other foreign support left Pakistan’s embattled military regime further dependent on the IMF, the U.S., and the production of munitions for the war in Ukraine to sustain itself through a crisis that shows no sign of resolution.

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